

Most Important News – February 2006

February government press reiterated that Syria's economy is healthy of the economy, particularly related to the effects of avian influenza (AI) and rising inflation, and to assume a more confrontational posture with the West. While private media criticized the lower-than-expected salary increase and accused the SARG of being unable to control inflation, government press highlighted the SARG's success in stopping the spread of Avian Influenza, thwarting commodity smuggling attempts, attracting investment and stabilizing the Syrian Pound. In addition, press reports trumpeted the SARG's decision to begin using Euros instead of dollars for public transactions and the meeting of the Syrian-Iranian Supreme Committee to show that Syria has options to resist international pressure. End summary.

1- Avian Influenza (AI): March government press noticeably decreased the number of articles pertaining to AI. Efforts to support the domestic poultry industry. Dailies covered the negative economic impact of AI on domestic producers, reporting that losses in this sector exceed \$140 million and that approximately 80% of local producers have gone out of business. By the end of February, articles indicated that demand for poultry in the local market dropped by more than 50%. All the government dailies gave front-page coverage to Prime Minister Mohammed Naji Utri's meeting with several cabinet ministers to review what the SARG has done to prevent the spread of the disease and support the poultry sector. Articles also reported on the Prime Minister's instructions to the Agricultural Cooperative Bank to increase loans to poultry producers and to media outlets for a public affairs campaign to combat exaggerated and incorrect information. Local press highlighted the visit of a delegation from the World Health Organization, reporting that the international body is satisfied with the preventive measures the SARG has adopted.

2- Syria and Iran: Coverage of the February 22-23 meetings of the Syrian-Iranian Supreme Committee, co-chaired by Syrian Prime Minister Mohammad Naji al-Utri and Iranian 1st Vice President Parviz Davoudi, dominated local press at the end of the month. The coverage praised the SARG for consolidating political relations with Iran, and called for the further strengthening of economic and commercial ties. Front-page reports listed the large number of memoranda of understanding (MOU) that were signed at the conclusion of the Committee's meetings, but provided few details about projects that might be implemented under the MOUs. Press reports highlighted discussions concerning an oil pipeline and railway between the two countries via Iraq, further reporting that Tehran plans to invite an Iraqi delegation to Iran to discuss these two projects in the near future. According to the press, a follow-up ministerial meeting, chaired by the Syrian Minister of Economy and Trade and the Iranian Minister of Housing, will be held in Tehran within three months, while the next round of the Syrian-Iranian Supreme Committee meetings will be held in Tehran during the first half of 2007.

3- Currency: With the Syrian pound steadily gaining in value against the dollar (currently at 53.40 SP/USD on the black market), articles in state-owned press expressed increasing confidence in both the strength of the currency and the Syrian economy. Press articles repeated statements of financial officials claiming that the depreciation of the Syrian pound last year was mainly due to political pressure and had nothing to do with the economic situation. As a sign of the growing confidence in its ability to confront the West, government dailies gave front-page coverage to the announcement that all public entities immediately would begin using the Euro instead of the dollar for all foreign currency transactions, specifically to cover overdue exports, imports, and services payments. The press characterized the move as a necessary step to protect the economy from future US trade and financial sanctions. In explaining the decision, the Chairman of the Commercial Bank of Syria stated that all dollar denominated transactions would be vulnerable if US sanctions were imposed, even those running through European banks since most have significant ties to US financial institutions.

4- Prices: The SARG used the media to fight back against harsh criticism of its lower-than-expected increase in public sector salaries announced on February 1. Al-Iqtisadiyah, a magazine owned by Waddah Abedrabboh, an independent professional journalist with close ties to the ruling family, derisively called the 800 SP plus 5% increase in base salary a

“midget”, and argued that the SARG had deceived its citizens by not living up to the promises it had made last year about improving the standard of living and increasing incomes. Even editorials in the government dailies questioned the size of the increase, pleading with the SARG to increase incomes to match income levels in neighboring countries before it rationalized the prices of commodities with those in the region. The SARG responded by shifting attention away from the salary increase to prices, accusing the Ministry of Economy and Trade and the Federation of Syrian Chambers of Commerce for their inability to control inflation, which some articles reported as high as 30% on certain goods. An article in al-Thawra, one of the main government dailies, reported that the SARG was moving quickly to control prices, and that the price file had been forwarded to the Deputy Prime Minister for Economic Affairs, Abdallah Dardari, for review and action.

5- Smuggling: The SARG continued to use government press to show that it has been successful in stopping commodity smuggling across all of its borders. Media reported that customs authorities had thwarted several attempts to smuggle cigarettes, forged foreign currencies, television sets and drugs into Syria from Jordan, Turkey and Lebanon. Articles also highlighted instances in which customs officials had prevented operations to smuggle gold, foreign currencies and diesel out of Syria to Lebanon and Turkey. However, at the end of the month, al-Thawra published an exclusive report admitting that diesel smuggling to Lebanon continued via pipes extended from the Syrian border towns to the Beka valley. Calling the smuggling of Syrian diesel to Lebanon “high treason”, the report stated that some low-paid customs agents are allowing the trade to continue in order to avoid engaging in direct clashes with the smugglers.

6- Foreign direct investment (FDI): Articles in the state-owned press continued to praise Syria's good investment climate. Government dailies trumpeted Syria's success in attracting \$7.5 billion in investment during 2005, of which 30% was reported to be from foreign sources. Furthermore, media reported that the SARG continues to make progress on redrafting Investment Law 10 to remove existing barriers to investment. All the dailies highlighted the announcement that Dubai-based “Bonyan International Investment Group” plans to establish a \$15 billion tourist village near the south of Damascus.